

## **REPORT TO EXECUTIVE**

Date of Meeting: 5 October 2021

## **REPORT TO COUNCIL**

Date of Meeting: 18 October 2021

Report of: Director Finance

Title: 2021/22 HRA Budget Monitoring Report – Quarter 1

### **Is this a Key Decision?**

No

### **Is this an Executive or Council Function?**

Council

### **1. What is the report about?**

To advise Members of the financial position of the HRA Revenue and Capital Budgets for the 2021/22 financial year after three months.

In addition to the budgetary over/under-spends reported to this committee, Appendix 1 also highlights areas of risk, so that Members are aware that certain budgets have been identified as being vulnerable to factors beyond the control of the Council, which may result in potential deviations from budget, and are therefore subject to close monitoring by officers.

### **2. Recommendations:**

2.1. It is recommended the Executive note the report and Council notes and approves (where applicable):

(1) The HRA forecast financial position for 2021/22 financial year; and

(2) The revision of the HRA Capital Programme to reflect the reported variations detailed in Appendix 4

### **3. Reasons for the recommendation:**

3.1. To formally note the HRA's projected financial position and to approve the reported variations to the HRA Capital Programme.

The Housing Revenue Account is a statutory account and local housing authorities have a duty to keep a HRA in accordance with proper accounting practices and to review the account throughout the year. Members are presented with a quarterly financial update in respect of the HRA and this is the first update for 2021-22.

#### 4. What are the resource implications including non financial resources?

4.1. The financial resources required to deliver both housing services to Council tenants and to invest in new and existing housing stock during 2021/22 are set out in the body of this report.

The impact on the HRA's available financial resources are set out in Appendix 3.

#### 5. Section 151 Officer comments:

5.1. There is nothing significant to draw member's attention to at this early stage of the financial year.

#### 6. What are the legal aspects?

6.1. The Housing Revenue Account is framed by the Local Government and Housing Act 1989. This Act created the ring-fence and the structure within which the HRA operates and covers the detailed operation of the HRA, including the credits (income) and debits (expenditure) which make up the account.

#### 7. Monitoring Officer's comments:

7.1. This report raises no issues for the Monitoring Officer.

#### 8. Report details:

##### HRA BUDGET MONITORING – QUARTER 1

##### 8.1. Background to the HRA

The Housing Revenue Account (HRA) records expenditure and income relating to council housing and the provision of services to tenants. Housing authorities have a statutory duty to maintain a HRA account, which is primarily a landlord account, in order to account to their tenants for income and expenditure on council housing separately from other functions and services of the Council. This includes tenancy management, repairs and maintenance, Council house building and Council house retrofits.

##### 8.2. Projected Movement in Working Balance

	£
<b>Approved Budgeted transfer from/ (to) the working balance</b>	<b>6,647,075*</b>
Supplementary budgets – Council approved 20 July 2021	<b>333,000</b>
Revenue Contribution to Capital deferred from 2020/21 – Council approved 20 April 2021	<b>446,550</b>

<b>Revised Budgeted transfer from/ (to) the working balance</b>	<b>7,426,625</b>
---	------------------

<b>*2021/22 Approved Budget Represented By</b>	<b>£</b>
85A1 MANAGEMENT	1,267,435
85A2 TENANCY SERVICES	1,455,550
85A3 SUNDRY LANDS MAINTENANCE	604,910
85A4 REPAIR & MAINTENANCE PROGRAMME	6,393,320
85A5 REVENUE CONTRIB TO CAPITAL	7,950,000
85A6 CAPITAL CHARGES	3,742,940
85A7 HOUSING ASSETS	2,210,260
85A8 RENTS	(19,236,370)
85B2 INTEREST	2,259,030
85B4 MOVEMENT TO/(FROM) WORKING BALANCE	<b>(6,647,075)</b>

The HRA has built up a considerable working balance of £12.950m as at 31 March 2021. This is considerably higher than the £4m contingency resolved to be retained. The HRA approved Medium Term Financial Plan (MTFP) plans to reduce the working balance, largely through significant revenue contributions to capital. This enables the built-up working balance to be used to fund the HRA capital programme towards planned works, retrofits and Council House building developments.

The approved 2021/22 budget built-in a large anticipated revenue contribution to capital for the year of £7.950m. A further £0.447m contribution to capital was deferred from 2020/21, taking the anticipated revenue contribution to capital for 2021/22 to £8.397m.

8.3. The budget variances anticipated at quarter 1, indicate that £7,456,625 will be taken from the working balance in 2021/22 – See appendix 2. This represents a movement of £30,000 compared to the revised budget £7,426,625 for 2021/22. The key budget deviations are explained below.

<b>Budget Heading</b>	<b>Forecast Outturn Budget Variance at Quarter 1  (Under)/Overspend</b>
<b>Management Costs</b>	<b>£30,000</b>

**Officers Responsible:**  
**Assistant Director of Housing (AP)**  
**Assistant Director of Housing (LB)**

<ul style="list-style-type: none"> <li>(£30k) Forecast overspend in empty property council tax charges. A number of invoices relating to 2020/21 became payable in Q1 of 2021/22. These properties were empty longer term due to major works and the pandemic and being unable to let them. In addition to this during 2021/22, approximately 35 properties will be held empty for major works or redevelopment opportunities.</li> </ul>	
<b>Total budget (underspend)/overspend</b>	£30,000
<b>Projected transfer from/ (to) the working balance</b>	<b>7,456,625</b>

#### 8.4. Impact on HRA Working Balance

The HRA Working Balance represents amounts set aside to help facilitate service improvements, repay debt or to provide investment in the stock in future financial years.

The forecast balance, as at 31 March 2022, is set out below:

Movement	2021/22
Opening HRA Working Balance, as at 1 April 2021	£12,950,277
Forecast transfer (from)/to the working balance for 2021/22	(£7,456,625)
Balance resolved to be retained (HRA contingency)	(£4,000,000)
<b>Forecast Balance Available, as at 31 March 2022</b>	<b>£1,493,652</b>

The significant transfer from the working balance anticipated for 2021/22 brings the working balance as at 31 March 2022 down closer to the HRA balance resolved to be retained of £4m.

#### 8.5. HRA Available Resources over the Medium Term

The forecast HRA available resources for delivering both housing services and capital investment are set out in Appendix 3 for the period to 2024/25.

The forecast total available resources has improved by £553k since last reported, this is largely due to an upward estimation in anticipated capital receipts for 2021/22, which is what we will receive as a result of selling HRA properties identified as part of a disposals strategy.

#### 8.6. HRA Debt

In October 2018 the Government formally removed the HRA debt cap, which restricted the amount of borrowing stock-holding local authorities could have for the purposes of the HRA. The lifting of the 'debt cap' means that local authorities are now able to borrow for housebuilding in accordance with the Prudential Code.

Executive on 8 October 2019 approved the first Council House Building Programme, which will deliver 100 new homes into the HRA at a cost of £18 million. On 5 April 2020, the Council took out a loan of £15.36 million from the PWLB to support this programme. The remaining £2.64 million will be funded by capital receipts.

As at 31 March 2021, the HRA's borrowing stood at £73.242 million. The total of the £15.36 million new loan and the former 'debt cap' level of £57,882,413.

The HRA currently has approval to borrow a further £6.9m, this will likely be required in the next 12 to 24 months.

### 8.7. HRA Capital Programme

The 2021-22 HRA Capital Programme was approved by Council on 23 February 2021. Since that meeting the following changes have been made that have increased the 2021/22 programme.

Description	2021/22	Approval / Funding
<b>HRA Capital Programme</b>	<b>£24,185,627</b>	
Budgets carried forward from 2020/21 HRA Capital Programme	1,210,392	Council 20 April 2021
	5,710,712	Council 20 July 2021
<b>Revised HRA Capital Programme</b>	<b>£31,106,731</b>	

### 8.8. Performance

The current HRA Capital Programme is detailed in Appendix 4. The appendix shows a total forecast spend of £28,111,460 compared to the £31,106,731 approved programme; a reduction of £2,998,395 that will be deferred to future years.

### 8.9. Capital Budget Variances

The details of key (greater than +/- £50k) variances from budget are set out below. The Assistant Director of Housing (AP) will be able to provide further details in respect of these areas, if required.

#### **Schemes to be deferred to 2022/23 and beyond**

Schemes which have been identified as being wholly or partly deferred to 2022/23 and beyond are:

<b>Scheme</b>	<b>Budget deferred to future years</b>
<b>Rennes House Structural Works</b>	<b>£1,544,250</b>
<p><b>Assistant Director of Housing (AP)</b></p> <p>In consultation with the Council's Housing Development and Services Portfolio Holder, it has been agreed that an update report will be submitted to members in the third quarter of 2021/22.</p>	
<b>Hamlin Gardens</b>	<b>£1,454,145</b>
<p><b>Assistant Director of Housing (AP)</b></p> <p>Following the main contractor withdrawing from this development project, a new procurement schedule has been designed and agreed. The initial procurement stage has now been completed with the submission of expressions of interest from three contractors – the full procurement programme will run until November 2021. Work is unlikely to commence until Q1 of 2022/23 and will run to 2024.</p>	

## **9. Historic Council Own build Final Accounts to 31 March 2022**

9.1. The historic Council's own build properties at Rowan House and Knights Place form part of the overall Housing Revenue Account, but separate income and expenditure budgets are maintained in order to ensure that they are self-financing.

As the 21 units were built using HCA funding in conjunction with borrowing (£998k), they are accounted for separately in order to ensure that they self-financing. A separate COB working balance and Major Repairs Reserve are maintained until such time as a sufficient balance has been accumulated to repay the debt attributable to these properties, at which point the units can be accounted for with the wider HRA stock.

9.2. Key Variances from Budget

There are no projected variances to report at the end of Quarter 1. The budgeted transfer from the COB working balance of £25,770 is still projected to be achieved during 2021/22.

## **10. How does the decision contribute to the Council's Corporate Plan?**

The Housing Revenue Account contributes to a key purposes, as set out in the Corporate Plan; Building great neighbourhoods.

## **11. What risks are there and how can they be reduced?**

For clarity, these are specific financial risks, alongside the risks captured in the corporate risk register.

It is not permissible for the HRA to go into an overall financial deficit position, it is therefore important to ensure that an adequate level of HRA balances is maintained as a contingency against risks. The HRA resolve to retain a working balance at no less than £4 million to mitigate against financial risks.

Areas of budgetary risk are highlighted to committee as part of the quarterly budget monitoring updates. Appendix 1 sets out the risks identified, at Quarter 1.

## **12. Equality Act 2010 (The Act)**

12.1 Under the Act's Public Sector Equalities Duty, decision makers are required to consider the need to:

- eliminate discrimination, harassment, victimisation and any other prohibited conduct;
- advance equality by encouraging participation, removing disadvantage, taking account of disabilities and meeting people's needs; and
- foster good relations between people by tackling prejudice and promoting understanding.

12.2 In order to comply with the general duty authorities must assess the impact on equality of decisions, policies and practices. These duties do not prevent the authority from reducing services where necessary, but they offer a way of developing proposals that consider the impacts on all members of the community.

12.3 In making decisions the authority must take into account the potential impact of that decision in relation to age, disability, race/ethnicity (includes Gypsies and Travellers), sex and gender, gender identity, religion and belief, sexual orientation, pregnant women and new and breastfeeding mothers, marriage and civil partnership status in coming to a decision.

12.4 In recommending this proposal no potential impact has been identified on people with protected characteristics as determined by the Act because there are no significant equality and diversity impacts associated with this decision.

## **13. Carbon Footprint (Environmental) Implications:**

We are working towards the Council's commitment to carbon neutral by 2030. The impact of each scheme is considered prior to approval

## **14. Are there any other options?**

None.

**Director Finance, David Hodgson**

Author: Kayleigh Searle

## **Local Government (Access to Information) Act 1972 (as amended)**

Background papers used in compiling this report:-

None

Contact for enquires:  
Democratic Services (Committees)  
Room 4.36  
01392 265275